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THE Farm Cost SITUATION

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GENERAL SITUATION

Cost rates for most commodities used in farm production and also wage rates are likely to increase slightly in 1953 while prices received by farmers for commodities probably will average slightly lower than in 1952. This means that the cost-price squeeze on producers will be intensified in 1953.

Farmers' demands for labor and for goods used in production will continue high in 1953. Demand for agricultural products also will continue high and agricultural output is expected to be near the 1952 record level, if weather conditions are average. Supplies of labor and most production goods are expected to be sufficient to meet requirements. With prices of production items expected to be a little higher, total expenditures for production in 1953 probably

Goods and services used in production: Prices paid by farmers and farm wage rates, United States

(Index numbers 1935-39=100)

Year	Commodities, interest, taxes and wage rates	Commodities only	Feed	Live-stock	Motor supplies	Motor vehicles	Farm machinery	Farm supplies	Building and fencing materials	Ferti-lizer	Seed	Wage rates 1/
1910	75	78	93	74	---	---	65	69	69	96	78	79
1911	77	79	94	69	---	---	65	71	71	96	90	81
1912	81	82	98	77	---	---	65	71	71	98	98	83
1913	81	81	92	90	---	---	65	73	70	99	81	86
1914	83	82	97	93	---	---	65	73	64	100	75	83
1915	84	84	96	92	---	---	67	78	70	106	75	83
1916	93	93	104	100	---	---	71	86	81	121	104	93
1917	121	126	167	128	---	---	80	115	94	133	138	117
1918	140	145	178	146	---	---	101	149	111	169	149	146
1919	153	157	198	148	---	---	105	157	130	178	170	170
1920	162	157	198	130	---	---	108	156	141	177	202	199
1921	118	103	100	71	---	---	105	135	108	149	104	129
1922	119	102	108	87	---	---	93	116	110	125	100	127
1923	128	111	129	90	---	---	97	120	110	131	105	142
1924	129	113	132	94	125	88	101	125	111	124	107	150
1925	131	117	136	100	133	89	101	124	113	136	122	150
1926	128	114	116	106	138	87	101	125	112	135	142	151
1927	129	114	122	119	123	89	101	122	110	118	125	152
1928	132	119	132	146	120	90	101	123	109	123	111	152
1929	132	118	130	143	119	92	100	122	110	127	113	154
1930	124	109	116	106	113	89	99	120	107	124	110	146
1931	106	91	82	74	96	89	98	111	95	112	88	115
1932	92	80	61	61	95	88	93	98	87	98	57	86
1933	87	80	70	56	93	87	90	91	90	91	61	73
1934	94	92	98	56	99	92	94	96	101	103	88	82
1935	98	98	101	94	99	93	97	96	99	102	105	88
1936	99	99	104	90	100	97	98	97	98	97	93	94
1937	106	107	118	102	102	101	100	102	102	101	130	107
1938	100	98	89	101	101	107	103	104	101	100	94	107
1939	98	98	88	113	98	102	102	101	100	100	78	105
1940	100	99	95	115	96	101	100	104	101	96	86	107
1941	106	105	103	130	99	107	101	111	108	96	82	125
1942	122	119	126	152	106	116	107	123	118	107	111	163
1943	138	132	149	173	109	121	111	137	123	114	139	217
1944	148	140	165	163	111	131	114	144	131	116	158	263
1945	155	142	164	178	111	135	115	146	134	118	162	297
1946	168	154	190	202	113	139	119	147	146	119	167	320
1947	191	181	225	252	124	161	135	159	191	131	192	346
1948	211	202	238	312	138	181	157	169	212	143	223	365
1949	203	192	196	277	140	199	176	176	210	147	202	354
1950	209	199	200	324	144	200	180	176	215	141	194	352
1951	231	220	225	395	150	212	194	189	239	149	197	388
Jan.	223	213	219	381	---	203	---	---	---	---	---	372
Feb.	227	218	222	407	---	---	---	---	---	---	195	
Mar.	229	221	224	415	150	212	188	182	239	---	196	
Apr.	234	223	225	426	---	---	---	183	---	148	198	396
May	233	221	227	392	---	---	---	---	---	---	197	---
June	232	220	222	394	150	---	197	191	241	---	---	---
July	231	219	221	389	---	213	---	---	---	---	---	393
Aug.	231	220	221	392	---	---	---	---	---	---	---	---
Sept.	233	222	223	402	149	213	198	194	239	150	199	---
Oct.	233	223	227	404	---	216	---	---	---	---	---	393
Nov.	234	223	233	389	---	218	---	---	---	---	---	---
Dec.	233	222	240	356	152	219	199	195	240	---	---	---
1952												
Jan.	237	224	242	370	---	219	---	---	---	---	---	412
Feb.	240	227	243	376	---	224	---	---	---	---	219	---
Mar.	239	226	242	372	151	222	201	196	240	---	220	---
Apr.	240	226	242	373	---	---	---	195	---	153	223	421
May	240	227	240	373	---	---	---	---	---	---	227	---
June	237	220	237	325	151	222	202	202	239	---	---	---
July	236	220	235	324	---	222	---	---	---	---	---	418
Aug.	237	221	240	322	---	---	---	---	---	---	---	---
Sept.	235	219	242	300	---	---	---	---	---	154	224	418

1/ Simple average of quarterly indexes seasonally adjusted.

Note: For a list of items included in this table see "Agricultural Prices," Bureau of Agricultural Economics, October 30, 1951.

will be slightly above this year. These expenditures have risen in almost every year since 1938 as both prices and the quantity of items used have increased. Expenditures in 1952 were 3 to 4 percent higher than in 1951, and the highest on record.

The outlook in 1953 is for a somewhat smaller supply of labor, but if continued emphasis is given to using labor efficiently and increased efforts devoted to recruitment programs no real shortage of workers should develop. However, farmers may find a problem in replacing some skilled and dependable regular workers. Wage rates in 1953 may be less than 5 percent above the 1952 average. Rates this year are averaging around 7 percent higher than in 1951.

Costs of farm machinery and power in 1953 are expected to be higher than in 1952. Retail prices of farm machinery and equipment probably will be somewhat higher in 1953 than in 1952, and prices of motor fuels and tires also may be higher. The impact of the defense program and work stoppages in plants producing steel and farm machinery have reduced output of farm machinery in 1952, and production in 1952 is expected to be lower than in any year since 1948. However, production during the past several years has been high and, as a result, sufficient power and machinery are expected to be available to maintain agricultural production at a high level in 1953.

Feed costs in September were about 9 percent higher than a year earlier. Corn may average slightly lower in price during the current feeding season but other feed grains and high protein feeds probably will average higher. Hay prices will average higher this winter and early spring. Feed supplies per animal unit for the year beginning October 1952 are about the same as a year ago.

Farmers are paying less this fall than last for alfalfa seed and for 16 out of 22 other important legume and grass seeds, but they are paying considerably more for crested wheatgrass, smooth bromegrass, and timothy. They are also paying a little more for redtop, alsike clover, and red clover. As conditions appear now, farmers are likely to gain by purchasing timothy, redtop, smooth bromegrass and crested wheatgrass seeds this fall, and postponing until needed purchasing of tall fescue, ryegrass and legume seeds, except alsike clover.

Prices farmers pay for fertilizer are now averaging around 3 percent higher than a year ago, and probably will be slightly higher next spring in some areas, particularly in the West and Midwest. Supplies of nitrogen for the 1952-53 season probably will exceed those for the past season by about 11 percent. Supplies of phosphates (P_2O_5) and potash (K_2O) available for the 1952-53 season probably will exceed those for last season by 10 and 17 percent respectively.

Prices of miscellaneous farm supplies have gone up year by year since 1939, and are now the highest on record. They will average slightly higher in 1953. Aluminum production in 1952 is likely to exceed one million tons for the first time. Copper mill products still are far from plentiful, but the supply picture is brighter than it was a few weeks ago. Containers, cotton bags and bale ties are expected to be adequate. Lumber and other materials used in farm construction are expected to be adequate for 1953 needs and at or near present prices. However, barbed and woven wire fencing is expected to continue scarce through most of 1953.

Current stocks of many pesticides appear to be high. Current indications are that supplies for the 1953 season will be adequate. Prices in 1953 of many important pesticides probably will not differ greatly from those of the 1952 season.

Interest rates on mortgages placed on farm property in 1953 are not expected to change from 1952 levels. Farm mortgage debt has increased, however, and is expected to be higher in 1953. An increase of about 5 percent in farm real estate tax levies and a slightly greater increase in farm personal property taxes is expected in 1953. Insurance rates in 1953 may be slightly lower than in 1952.

No sharp price changes are expected in farm real estate values during 1953. Some further rise could occur during the next 6 months, but values are likely to show a small downward drift after mid-1953. Gross rents are likely to decline moderately, with share rents dropping a little more than cash rents.

As always, the real effects of changes in cost rates and in prices received for products sold will differ greatly by type and location of farm. As illustrations of the effects of these changes on commercial family-operated hog-beef fattening farms in the central Corn Belt, dairy farms in the Northeast, winter wheat farms in western Kansas and southwestern Nebraska, and cotton farms in the southern Piedmont are discussed in the last section of the report.

Farm Labor

The farm labor situation in 1953 is not expected to be greatly different than in 1952. The outlook in 1953 is for a somewhat smaller supply of labor and a slight rise in farm wage rates. But, on the whole, the supply of farm labor next year is expected to be sufficient to keep farm production at high levels. But continued emphasis should be given to using labor efficiently and effective recruitment campaigns are conducted.

Wage rates paid farm workers this year are averaging around 7 percent higher than in 1951 (table 1). Prospects are that wage rates in 1953 may rise less than 5 percent above 1952. The extent of the rise among areas will vary according to the extent of net losses of farm workers to industry and the armed forces, and changes in the demand for labor.

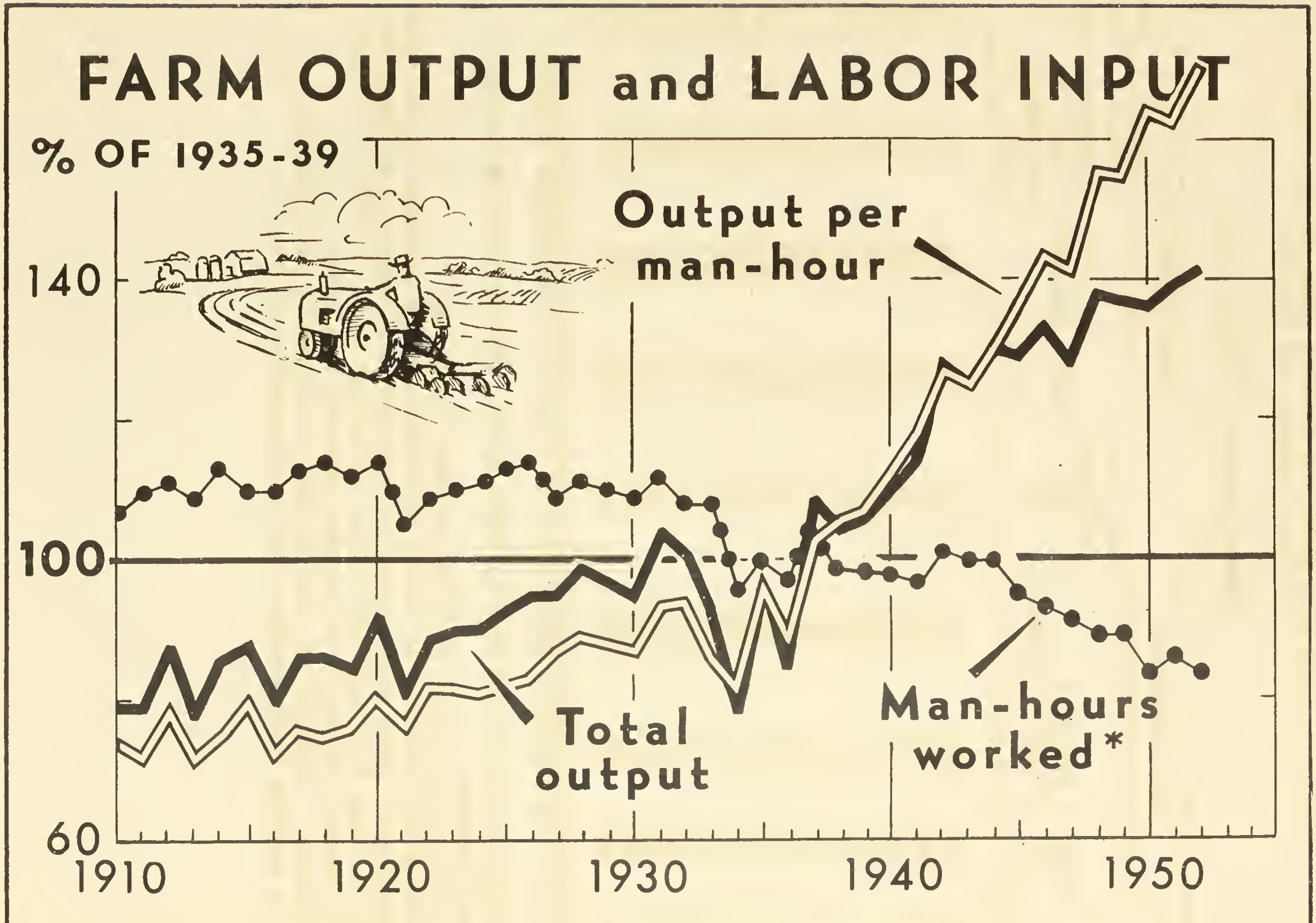
The number of workers employed on farms decreased fairly steadily during the past 15 years. Labor requirements of agriculture also declined substantially during this period because of rapid gains in farm mechanization and other improvements in farming methods (fig. 1). Consequently, new farm output records were set with progressively fewer workers on farms. Output per man-hour and per farm worker in 1952 are the greatest on record.

A continued decrease in the supply of farm labor and the number of farm workers employed is expected in 1953. However, further progress in mechanization and other advances in technology should lower labor requirements and reduce the number of workers needed on farms. Even so, the problem of replacing some skilled and dependable regular workers must be met if high level production is to be maintained.

Although only a nominal increase in the net size of the armed forces is probable in 1953, the rotation of armed services' personnel will create labor problems for some farmers who will lose workers to the Armed Services. They will need to plan for replacements, or make other adjustments in the operation of their farms.

The supply of experienced regular workers next year may be even tighter than at present. Farm workers will continue to shift to nonfarm employment because of higher wages or improved working and living conditions. It may be good business for farmers in need of labor to be on the lookout for potential year-round workers and train them.

Difficulties may be experienced in getting adequate supplies of seasonal workers in some areas next year. More extensive use of custom work and exchanging of labor will help in meeting these difficulties. Also, continued provision of foreign workers would help in areas where supplies of domestic workers are inadequate.



* IN TERMS OF TIME USED BY ADULT MALES

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FIGURE 1

Table 1.- Farm wage rates and related data, United States, 1935-39 average and 1940-52

(Index numbers, 1935-39 = 100)

Period or year	Farm employment			Man-hours of farm work 2/	Farm output 3/		Gross farm income per man-hour 4/	Farm wage rates 5/
	Total 1/	Family 1/	Hired		Total	Per man-hour		
1935-39	100	100	100	100	100	100	100	100
1940	100	99	103	98	110	112	107	107
1941	98	97	101	97	114	118	135	125
1942	98	97	101	101	128	127	176	163
1943	97	97	96	100	125	125	219	217
1944	95	97	88	100	130	130	231	263
1945	93	96	83	95	129	136	256	297
1946	95	98	85	93	133	143	298	320
1947	96	98	88	91	128	141	358	346
1948	95	96	91	89	138	155	372	365
1949	92	93	89	89	137	154	342	354
1950	89	90	85	83	136	164	371	352
1951	86	87	81	86	139	162	409	388
1952 6/	84	85	80	83	143	172	433	417

1/ Includes farm operators and members of their families working without wages.

2/ Total man-hours of farm work in terms of the time required by average adult male workers.

3/ Net calendar-year production for eventual human use.

4/ Because of the increase in volume of output and the increase in the price of farm products, gross farm income per man-hour has increased at about the same rate as have farm wage rates from the prewar years of 1935-39 to 1952.

5/ Simple average of quarterly indexes seasonally adjusted.

6/ Preliminary. Estimates of farm output and man-hours for 1952 based chiefly on October 1952 report of the Crop Reporting Board.

Farm Power and Machinery

Costs of farm machinery and power in 1953 are expected to be moderately higher than in 1952. Retail prices of farm machines, equipment and motor fuel in 1952 were higher than for any previous year but the cost of keeping workstock and prices of tires were moderately below the record high of earlier years. Prices of farm machinery rose slightly during 1951 and 1952, and are now about 13 percent above the June 30, 1950 prices. Most of this increase occurred in the last half of 1950. Manufacturers are now faced with increased costs of materials and labor and a moderate increase in prices of farm machinery seems likely for 1953. Prices of motor fuel and tires may be moderately higher in 1953 than in 1952.

Production of farm machinery and equipment in 1952 fell below the record level of last year, and it is expected to total the lowest for any year since 1948. The principal reasons for the decline are the impact of the defense program build-up and work stoppages in plants producing steel and farm machinery.

With farm incomes only moderately lower than in 1952 and a further reduction in the labor force in prospect for 1953, demand for farm machinery should again be strong. Such important machines as tractors, combines, corn pickers and balers have been steadily increasing in number and this trend will probably continue for some years. Sufficient power and machines will be available to maintain agricultural production at a high level in 1953.

Volume of exports of farm machinery in the first half of 1952 was about 12 percent higher than in the same period in 1951 and about the same as the high exports of the first half of 1949. Exports of crawler tractors and machinery repair parts so far this year were greater than in 1951 but exports of wheel tractors were about 10 percent less.

Farmers' purchases of farm machinery have been large in each year for more than a decade, except in 1943 when supplies were severely restricted. Preliminary estimates indicate that on January 1, 1952 there were 4,170,000 tractors of all kinds on farms, 70 percent more than in 1945. Of the 1952 total about 89 percent were the wheel type, including homemade, 4 percent were crawlers, and 7 percent garden tractors. There were but few garden tractors on farms in 1940 or earlier years.

The total volume of power, machinery, and equipment on farms January 1, 1952 was about 85 percent above the average of 1935-39. This includes power from horses and mules. With relatively high purchases in 1952 the amount of machinery and power on farms in 1953 will exceed that of any previous year.

Along with the increase in volume of total power and machinery since the prewar period there has been a large decrease in horse and mule numbers. Horses and mules on farms January 1, 1952 were 60 percent below the 1935-39 average (table 2). The 1951 colt crop was the smallest

Table 2.- Horses and mules and tractors on farms and cost of keeping horses and mules and of using farm tractors, United States, 1935-39 average and 1940-52 1/

(Index numbers 1935-39 = 100)

Calendar year or period	Tractors on farms, number January 1	Horses and mules on farms, number all ages January 1	Colts under 1 year on farms, number January 1	Horses and mules all ages, value per head January 1	Feed cost per head 2/	Prices paid by farmers for: New tractors 3/	Prices paid by farmers for: Gasoline	Prices paid by farmers for: Tires 6.00 x 16
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1935-39	100	100	100	100	100	100	100	100
1940	124	92	101	90	93	96	95	92
1941	135	90	98	81	101	101	99	95
1942	152	87	85	78	126	102	103	117
1943	169	84	69	95	164	99	103	130
1944	178	80	62	98	188	111	103	136
1945	195	76	54	86	186	113	103	131
1946	206	71	42	80	207	126	106	133
1947	220	64	35	84	249	142	118	127
1948	240	59	31	79	261	158	131	128
1949	266	54	28	72	204	174	134	124
1950	291	49	23	63	212	175	135	139
1951	4/317	45	19	56	240	188	136	165
1952	4/335	40	16	55	5/251	6/188	6/138	6/159

1/ The 1935-39 averages were: Horses and mules all ages, 15,750,000 head; value per head, $97.65; feed cost per head, $44.40; colts under one year of age 744,000 head; tractors, 1,244,000; prices paid by farmers for new tractors, $1,060; gasoline $0.19; and tires, $12.60.

2/ Based on 25 bushels each of oats and corn and 2 tons of baled hay.

3/ Tractor prices are for medium size (20-29 BHP) wheel tractor equipped with rubber tires.

4/ Preliminary estimates.

5/ Average of the first 8 months.

6/ Average prices paid in March and June.

in more than a century and only about 5 percent as large as the average colt crop of World War I. Prices of horses and mules have declined each year since 1943, and the average value per head on January 1, 1952 was only 55 percent of the 1935-39 average. Numbers of motortrucks on farms continue to increase.

Feed

Feed costs in September generally differed little from what they were 6 months ago but averaged about 9 percent higher than a year ago. This coming winter and spring corn may average a little lower in price but other feed grains may average higher because of the smaller crops produced in 1952. High protein feeds will probably average higher. In September 1952 oil meals cost about one-fourth more than during the same period a year ago. Hay averaged around 15 percent higher. The average value of the ration fed to poultry and to milk cows in milk-selling areas averaged about 7 percent higher than in September 1951 (table 3).

Feed supplies for the year beginning October 1952 total a little smaller than a year ago (table 4). With some reduction in number of grain-consuming livestock on farms feed supplies per animal unit will be about the same as in the 1951-52 season. Because of the increase in the corn crop a larger tonnage of feed grains was produced this year than in 1951 despite a smaller production of oats, barley and sorghum grains. However, carry-over stocks at the beginning of 1952-53 were nearly one-third lower than a year earlier. Supplies of oil seed meal may be only slightly smaller than in 1951. Total disappearance of feed grains, including that for seed, food, industrial purposes, exports and feed, probably will equal 1952 production so that the carry-over of feed grains a year hence may be about the same as this fall.

The number of hogs to be fed in 1952-53 will be smaller, but the number of beef cattle will be larger. Feed grains required to feed the 171 million animal units in 1952-53 and also that for other uses probably can be met by 1952 production. However, any further expansion in grain-consuming livestock in the future will have to be met with larger feed grain production or imports of feed grain unless reserves are reduced still more.

The hay supply for 1952-53 is 4 percent smaller than in 1951-52 though generally of better quality. The number of roughage-consuming livestock is expected to be up about 4 percent. Hay supplies per animal unit will be below average but probably will be adequate in most areas. However, they will be short in much of the South and in other areas where drought reduced hay production.

Supplies of feed grains and hay in the South in relation to the livestock to be fed are much below average. It would require inshipments of 6-7 million tons of feed grains and nearly 4 million tons of hay to bring the supply up to average in the South. Supplies of feed grains in relation to livestock in the North Central Region are about

Table 3.- Average prices of feeds in the United States, September 15, 1952 with comparisons

Item	Unit	Sept. 15, 1950	Sept. 15, 1951	March 15, 1952	Sept. 15, 1952
Prices received by farmers					
Corn	Bushel	$ 1.44	$ 1.65	$ 1.65	$ 1.71
Oats	do.	.73	.78	.89	.84
Barley	do.	1.14	1.17	1.36	1.43
Sorghum grain	Cwt.	1.77	2.12	2.52	3.02
Hay, baled	Ton	20.30	21.30	25.10	25.00
Feed grains and hay, Index number (1935-39=100)		204	227	241	246
Prices paid by farmers					
Mixed dairy feed 16%	Cwt.	3.64	4.07	4.43	4.37
Laying mash	do.	4.60	4.94	5.29	5.35
Cottonseed meal	do.	4.35	4.40	5.06	5.33
Soybean meal	do.	4.44	4.77	5.37	6.08
Linseed meal	do.	4.34	4.42	5.01	5.43
Meat scrap	do.	6.75	6.29	6.56	6.73
Bran	do.	3.08	3.58	4.02	3.77
Middlings	do.	3.28	3.76	4.09	3.96
Alfalfa hay, baled	Ton	29.60	33.20	39.10	37.60
Prices paid by farmers for feed, Index number (1935-39=100)		213	223	242	242
Average value of concentrate ration fed to poultry and milk cows 1/					
Fed to poultry	Cwt.	3.68	3.99	4.24	4.28
Fed to milk cows in milk selling areas	Cwt.	3.21	3.62	3.87	3.88
Fed to milk cows in cream selling areas	Cwt.	2.84	3.26	3.45	3.40

1/ Value of the corn, oats, oil meal, millfeed, commercial mixed feed, etc., making up 100 pounds of "grain" ration.

Table 4.- Feed concentrate supply and utilization and livestock fed, United States, 1937 to 1952 1/

Year beginning October	Supply				Utilization		Stocks of feed grains end of year 2/	Animal units grain-consuming livestock fed annually	Production feed grain per animal unit	Supply: concentrates per animal unit	Concentrates fed per animal unit
	Stocks feed grains beginning of year	Production feed grains	Wheat, rye and by-products feeds fed	Total	Seed, food, industry and exports of feed grains	Concentrates fed to livestock					
	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million units	Tons	Tons	Tons
Av. 1937-41	16.9	99.3	19.9	136.1	12.1	104.9	19.9	153.1	.65	.89	.69
Av. 1942-46	14.7	117.3	29.4	161.4	14.8	133.0	13.5	177.5	.66	.91	.75
1947	13.8	94.1	24.7	132.6	13.6	110.4	7.8	154.0	.61	.86	.72
1948	7.8	135.4	23.5	166.7	17.6	120.0	30.4	160.1	.85	1.04	.75
1949	30.4	120.6	25.2	176.2	17.2	127.3	30.6	165.1	.73	1.06	.77
1950	30.6	122.0	25.9	178.5	20.3	129.5	28.7	172.2	.71	1.04	.75
1951	28.7	114.0	27.1	169.8	17.0	132.7	20.0	175.0	.65	.97	.76
1952 3/	20.0	118.8	26.5	165.3	16.0	129.0	20.0	171.0	.69	.97	.75

1/ From Feed Statistics, page 2, April 1952, BAE, and Feed Situation, September 1952, Table 2.

2/ Stocks do not necessarily exactly equal supply less feed and other utilization because of a difference in the crop year for different feed grains.

3/ Preliminary.

Table 5.- Returns per $1.00 of feed cost, United States, September 15, 1952, with comparisons 1/

Item	1935-39 average	Sept. 15, 1950	Sept. 15, 1951	March 15, 1952	Sept. 15, 1952
	Dollars	Dollars	Dollars	Dollars	Dollars
Eggs	1.72	1.56	1.97	1.14	1.62
Chickens	1.84	1.47	1.41	1.31	1.36
Milk	1.92	1.89	2.03	1.94	1.98
Butterfat	1.55	1.37	1.53	1.61	1.52
Hogs	1.50	1.80	1.48	1.24	1.36
Beef	1.39	2.35	2.60	2.21	1.88
Sheep	1.44	1.92	2.04	1.49	1.40
	(Index numbers 1935-39=100)				
	Percent	Percent	Percent	Percent	Percent
Eggs	100	91	115	66	94
Chickens	100	80	77	71	74
Milk	100	98	106	101	103
Butterfat	100	88	99	104	98
Hogs	100	120	99	83	90
Beef	100	169	187	159	135
Sheep	100	133	142	103	97

1/ The following quantities of feed were used in calculating feed cost: 7 pounds of poultry ration per dozen eggs; 4½ pounds of poultry ration per pound of chicken; 7½ bushels of corn plus 20 pounds of soybean meal per 100 pounds of hogs; 30 pounds of concentrate ration fed to milk cows in milk selling areas plus the value of 110 pounds of hay, per 100 pounds of milk; 7½ pounds of concentrate ration fed to milk cows in cream selling areas plus the value of 27.5 pounds of hay in Minnesota and Iowa, per pound of butterfat; 3 bushels of corn plus 600 pounds of hay per 100 pounds of beef cattle; 2 bushels of corn plus 1,500 pounds of hay per 100 pounds of sheep and lambs. It was assumed that for each 100 pounds of sheep and lamb produced 20 pounds of wool were produced from the same feed. The quantity of hay for milk cows, beef cattle and sheep includes an allowance for silage and pasture. It was assumed that the feed nutrients from pasture would cost 1/4 as much per pound as they would if obtained from hay.

average thus permitting the usual large outshipments to deficit areas. Supplies of corn in the western Corn Belt are substantially larger and of better quality than in 1951. Hay supplies in relation to livestock are below the postwar average in the West North Central Region and in the West but are above average in the East North Central Region.

In September returns from feed fed to beef cattle were still 1/3 above average although much lower than a year ago (table 5). Milk was above average. All other livestock enterprises were below average and lower than a year ago. Returns from hogs and eggs have improved in this respect since last March. Returns from butterfat and sheep have declined. Comparable data are not available for returns to the broiler industry. The Maryland State Department of Markets reported for the week of September 24 a price of 31.2 cents per pound for broilers and 5.66 cents per pound for feed. This indicates returns of $1.70 per $1.00 of feed, assuming 3.25 pounds of feed fed per pound of broiler produced. This is higher than either 6 months or a year ago.

Seeds

Prices farmers are paying currently for alfalfa and clover seeds are lower than those of last spring, but prices of grass seeds, except orchardgrass and common ryegrass, are higher. Retail prices since last spring have declined the most for tall fescue and common ryegrass. Advances have been largest for timothy seed.

Farmers are paying less this fall than last for 19 out of 25 important legume and grass seeds. All winter cover crop seeds, alfalfa, white and Ladino clover, Kentucky bluegrass, and orchardgrass are lower than a year ago. Declines are most marked for tall fescue, sweet and blue lupines, Ladino clover, and improved varieties of alfalfa seed. Compared with last fall retail prices went up most for crested wheatgrass and timothy. Smaller advances occurred with smooth bromegrass, redtop, alsike clover, and red clover.

Compared with the 1946-50 average for the spring (data for the corresponding fall period are not available), retail prices this fall are lower for red, white, and Ladino clover, bluegrass, tall fescue, common ryegrass, and smooth bromegrass. On the other hand, prices are above average for alfalfa, alsike clover, timothy, redtop, and crested wheatgrass. The current retail price of orchardgrass is about average.

Current supplies (1952 production plus carry-over) of clovers, except Ladino and crimson (considered a winter cover crop), and the grasses, except the ryegrasses (winter cover crops), are smaller than a year ago. But supplies of Ladino clover, fescues, bentgrass, and winter cover crop seeds are larger. Based on supplies and current price trends, it would appear that prices next spring of alsike clover, timothy, redtop, orchardgrass, smooth bromegrass, and crested wheatgrass seed would be higher than in the spring of 1952, while prices of alfalfa, Ladino clover, white clover, tall fescue and common ryegrass would be lower. Little change from the spring of 1952 is indicated in next spring's prices of red clover, sweetclover, and Kentucky bluegrass seed.

As general conditions appear now, farmers probably will benefit by purchasing timothy, redtop, smooth bromegrass and crested wheatgrass seeds this fall, and postponing until spring the purchases of tall fescue, ryegrass and all legume seeds except alsike clover.

Fertilizer

In the spring of 1952, prices paid by farmers for fertilizer averaged around 3 percent higher than in the same period a year earlier. The Office of Price Stabilization recently granted permission to raise prices to include freight rate increases on fertilizer. As a result, prices paid by farmers for fertilizer in 1953 could be increased 3 to 4 percent. Such an increase probably will occur in the West and Midwest, but fertilizer prices in other areas, particularly the Southeast, probably will change little from present levels.

If domestic production of fertilizer continues as expected and usual import-export balances prevail, the aggregate supply of the three primary plant nutrients available for the 1952-53 season probably will exceed the record amount available for use in 1951-52 by around 12 percent.

Nitrogen (N): The supply of nitrogen (N) available for 1952-53 is presently estimated at 1,585 thousand tons. This estimate is based on current information as to when a number of new synthetic ammonia plants are expected to be completed, allows for some increased production at by-product plants, and assumes about the same import-export balance as in 1951-52. This represents an increase of slightly more than 11 percent above the reported 1951-52 supply of 1,425 thousand tons.

It is estimated that the supply of solid nitrogen materials (dry nitrogen) for 1952-53 represents approximately 62 percent of the total supply, and that solutions and liquid materials (wet nitrogen) 38 percent. For the previous year these percentages were approximately 65 and 35.

Phosphates (P_2O_5): Producers of superphosphates and related phosphatic fertilizer materials were able to overcome some of their sulphur and sulphuric acid problems during the 12 months ending June 30, 1952, with the result that production was larger than expected. Assuming some continued improvement and the availability of new sources of sulphuric acid, the supply of phosphates for 1952-53 is presently forecast at 2,465 thousand tons of available phosphoric oxide (P_2O_5). An additional 300 to 350 thousand tons of total phosphoric oxide can be expected in the form of ground phosphate rock and other materials.

The estimated supply of available phosphoric oxide for the 1952-53 season is about 10 percent above the 2,235 thousand tons which were put into domestic trade channels in 1951-52.

Potash (K$_2$O): The 1952-53 supply of potash for fertilizer purposes will reflect production by new facilities plus increases by older operating units. Some increase in imports may occur. Exports also are expected to show some increase. Taking these factors into account, it is estimated that the 1952-53 supply will be around 1,850 thousand tons of potash. This amount is about 17 percent above the reported 1951-52 supply of 1,585 thousand tons.

Building Materials, Supplies and Containers

Prices of building materials have been generally stable for nearly 2 years. The present level is 2 percent below the record high reached in the spring of 1951. It still costs about $800 to buy the materials needed to build a typical poultry house large enough for 200 layers. In 1940 the cost of these same materials was only $300.

Although prices of building materials have increased slightly since June, they probably will not be much higher in 1953 than they are at present and may even be lower. There are some indications that the demand for building materials may decline slightly from the present high level.

Prices of fencing materials are expected to be about 5 percent higher in 1953 than they have been for the last year and a half. Wholesale prices of steel mill products increased about that much a few weeks ago and this increase is expected to be reflected in the prices paid by farmers for fencing materials. In June it took about $670 worth of materials to build a mile of fence consisting of 32-inch woven wire, two strands of 4-point barbed wire and alternate steel and wood posts one rod apart. The same materials that sold for less than $300 in 1935-39 probably will cost about $700 next spring.

Prices of farm supplies averaged 6 percent higher in June than a year earlier. An 18 percent advance in prices of baler and binder twine was an important contributing factor.

Prices of containers are about 5 percent lower than they were last year but they are still about 20 percent higher than they were in 1950.

No serious shortages of building materials, supplies or containers are expected in 1953.

Pesticides

Retail prices of some important pesticides are lower than a year ago, while others are mostly unchanged. Prices in 1953, however, for most finished pesticidal preparations and mixtures are not expected to differ greatly from those in 1952.

The problems of distributing an adequate supply of finished pesticidal preparations and mixtures to control pests of particular crops or for other specialized uses have become highly complicated. It is no longer possible to manufacture and to distribute all the pesticides needed by farmers within a few weeks before they are used. Plans should be made as early as possible, therefore, to purchase sufficient quantities of pesticides to meet minimum needs. Manufacturers and distributors are dependent upon farmers to make known their needs for pesticides so that the demand may be anticipated in advance of the time of actual use.

The rate of production of pesticides during the first half of 1952 was higher than during the same period a year earlier. The prolonged drouth during the past summer in a large part of the country, particularly in the South, reduced the intensity of pest infestations, and the quantity of pesticides used was less than that of last year. Consequently, plentiful stocks of many important pesticides have accumulated and are depressing current production of certain materials. The capacity is ample to produce the pesticides needed, and supplies for the 1953 season will be adequate provided farmers make their needs known early.

Farm Land Values and Rentals

Prices of farm real estate rose only 1 percent from March 1 to July 1, 1952, the smallest gain for any 4-month's period since the Korean outbreak. Gains in two-thirds of the States were limited to 3 percent or less, although 16 States showed small declines or no change. The national index of farm real estate values as of July 1, 1952 was 213 (1912-14 = 100), 5 percent above a year earlier and 24 percent above the pre-Korean level (table 6).

General over-all stability in prices of farm products during the first half of 1952, together with some slackening in inflationary pressures in the nonagricultural segment of the economy are largely responsible for slowing the rise in farm land prices. Rising farm production costs and some concern as to the future trend of farm income also have served to reduce the demand at current prices and slow down farm real estate activity. Also, the number of farms on the market continues at a low level.

Although many of the forces responsible for the sharp rise in farm land prices during the first year following the Korean outbreak are no longer operating, values are expected to show some further gain during the last half of 1952, and perhaps through the first few months of 1953. But the increase is likely to be less than 5 percent above the July, 1952

Table 6.- Farm Real Estate: Index numbers of average value per acre and percentage change 1/

Geographic division	Index numbers (1912-14 = 100) 1950	1951	1952 March	1952 July	Change during year ending July 1951	July 1952	Change during 4 months ending July 1951	July 1952
					Percent	Percent	Percent	Percent
New England	158	163	169	173	4	4	2	2
Middle Atlantic	157	172	190	188	13	4	5	-1
E. North Central	166	194	211	215	19	8	3	2
W. North Central	141	163	178	178	17	5	4	0
South Atlantic	228	255	284	290	18	8	5	2
E. South Central	264	298	327	331	17	5	5	1
W. South Central	191	235	253	255	20	9	4	1
Mountain	156	176	188	194	19	3	7	3
Pacific	180	199	213	213	15	1	6	0
United States	169	193	211	213	17	5	5	1

1/ All farm land with improvements as of March except as indicated.

level. However, with net farm income in 1953 expected to be somewhat lower than in 1952, some weakness could develop by mid-year which would reduce values moderately below present levels by early 1954.

Total rents paid in 1952 probably will reach a new record, largely because of a 5-percent rise in cash rental rates for farms and for hay and pasture on share-rented farms. The value of the crop-share rents is expected to be about 2 percent higher than in 1951, but rents from farms rented on a livestock-share basis may be down slightly. Preliminary estimates place total gross rents for 1952 at $3,379 million, up 2 percent from 1951. Landlord's expenses will also be higher, however, especially those for taxes and building maintenance, so net rents will be about the same as in 1951. With farm real estate values above a year ago, the rate of return on the investment when valued at current prices will be slightly below 1951.

No substantial change in rental rates is expected during 1953 because rental shares change slowly and cash rents are slow to respond to moderate changes in farm income.

Interest, Taxes, and Insurance

Interest payments - Total interest charges on farm-mortgage debt in 1952 were about 8 percent above 1951, and it is expected that interest charges in 1953 may be around 7 percent higher than in 1952.

Some firming of interest rates on new mortgages has been in evidence since early 1951. The average interest rate on outstanding farm-mortgage debt is now 4.7 percent. However, the chief cause of the rise in total interest charges is the increase in volume of farm-mortgage debt.

There was no substantial change in the distribution of farm-mortgage debt by lender in 1952. From about 1940 through 1951, there was a tendency for lenders other than the federally sponsored agencies to increase their shares of the total farm-mortgage debt.

Interest charges on non-real-estate debt of farmers, excluding loans made or guaranteed by the Commodity Credit Corporation, are believed to be at a record level in 1952. The amount of interest to be paid during 1952 on such debt is 10-15 percent greater than during 1951 and will probably exceed a half billion dollars.

The main cause of the increased cost of interest on non-real-estate debts is the expansion in the use of this type of credit. The total outstanding non-real-estate debt on July 1, 1952 is estimated at 8.3 billion dollars; a year earlier it was estimated at 7.4 billion dollars. The non-real-estate debt is now increasing at a slower rate than during the year immediately following the Korean outbreak.

Some further rise in the cost of non-real-estate farm credit probably will occur in 1953. It is doubtful, however, that it will be as large as during 1952.

On the basis of amounts owed to banks and federally sponsored lenders, the greatest increase in non-real-estate credit costs was in the Mountain and West North Central regions. In those regions, the debt increased about 19 percent between July 1951 and July 1952. The smallest increase--10 percent--occurred in the West South Central region. In no States were there decreases in non-real-estate debt during that year.

Farm taxes - Farmers in most States paid more taxes in 1952 than in the preceding year, and they probably will pay more in 1953. An increase of about 5 percent in farm real estate levies and a slightly greater increase in farm personal property taxes is expected in 1953. Income, motor vehicle, retail sales, and other taxes paid by farmers probably will be as high as or higher than they are this year.

Federal income tax rates that were raised in the 1951 Revenue Act became fully effective in 1952 and are assumed to remain in force next year. With taxable income slightly lower in 1953, income taxes paid by farmers to the Federal Government will not change greatly. A few States lowered their effective income tax rates in 1952.

Retail sales tax laws were changed very little by the 18 State legislatures that met in 1952. A few legislatures lowered gasoline taxes but more raised them, and amounts farmers pay may be expected to increase.

Since the general trend of Federal, State, and local Government expenditures appear to be upward, it is likely farmers' total tax bill will increase.

Insurance - Fire and windstorm insurance assessments paid by farmers to farm mutual companies probably will be higher in 1953 than in either 1952 or 1951. If farm property valuations continue to increase, further increases in insurance costs are expected in 1953. The total amount of insurance carried by such companies has increased steadily in recent years. The increased assessments of mutual companies paid by farmers have been due primarily to increases in the amounts of insurance carried, rather than to substantial increases in rates per $100 of insurance. Assessment rates averaged about 26.7 cents per $100 in 1951 and may be as low as 26 cents in 1952 if losses are not excessive. As the insurance in force increases assessment rates have tended to decline. Rates in 1953 may be slightly lower than in 1952.

In recent years the safety funds of farm mutual fire insurance companies have increased at a faster rate than has the insurance in force. This has tended to increase the stability of assessment rates and decrease the probability and amount of an extra assessment levy.

Federal crop insurance was offered in 1952 in 874 counties, an increase of 64 counties over 1951. Total premiums were approximately 11 percent more than in 1951, but multiple crop insurance increased by 40 percent. Severe losses due to extensive drought conditions which prevailed in many southern and some northern Great Plains States resulted in indemnities being paid to farmers in these areas which exceeded premiums. In other sections of the country due to favorable crop conditions indemnities paid out will be substantially less than premiums.

Farmers paid about 20 percent more premiums in 1952 than in 1951 for hail insurance on growing crops. About 25 percent more insurance was carried than in any previous year. Losses were about average.

Costs and Returns on Selected Types of Farms

The information presented here illustrates changes in costs and returns on four important types of farms in widely separated areas, and is intended to show how returns to farmers in different localities and operating different types of farms are affected in varying degrees by changes in prices and production costs. The information does not necessarily represent changes on farms generally throughout the country or farms in a particular area. The projections for 1953 for the four types of farms assume that prices received and production expenditures made by farmers will develop about as indicated in earlier sections of this report.

Hog-beef fattening farms, Corn Belt - Production costs on hog-beef fattening farms in the Corn Belt probably will average only slightly higher in 1952 than in 1951. Higher prices for machinery and supplies, higher wage rates for hired labor and higher taxes will be offset largely by lower prices paid for feeder cattle. Volume of production on these farms in 1952 probably will be about 14 percent higher than a year earlier, but lower prices received for cattle and hogs will hold down gross income to about 3 percent above 1951. Net farm income also will average about 3 percent above 1951 (figs. 2 and 3).

These farms average slightly over 200 acres with two-thirds of the land in crops. Corn is the most important crop grown. About 75 to 80 percent of the income is from the sales of hogs and fat cattle. Most of the cattle are raised on the farms but a few are purchased each year. Total investment in 1952 was about $70,000 at current prices. These farms are highly mechanized with relatively high returns to labor and management.

In 1952 the acreage of corn harvested per farm will be about the same as in 1951, but the yield will be about 63 bushels compared with 52 in 1951. Hog production in 1952 will be 10 to 12 percent lower than in 1951.

If cost rates and prices received in 1953 develop about as indicated in earlier sections of this report, and average growing conditions prevail, costs on these farms in 1953 probably will average about 4 percent above 1952, while gross income probably will average about 8 percent below. Consequently, net farm income would average about 10 or 12 percent below 1952. The purchasing power of the returns to operator and family for labor and management would be lower than any year since 1941.

Northeast dairy farms - The average commercial family-operated dairy farm in the central Northeast specialized dairy area has about 22 cows and 14 head of other cattle, plus a farm flock of about 95 chickens. Sales of fluid milk account for about 75 percent of cash receipts and purchases of grain account for about 35 percent of total expenditures on these farms.

Production costs on these farms in 1952 are running about 8 percent higher than in 1951. Prices paid for the dairy ration in the first nine months of 1952 averaged nearly 14 percent higher than in the corresponding months of 1951.

The cost of dairy herd replacements is higher now than a year ago despite a reduction in prices received for cows sold for beef. The embargo on imports of cattle from Canada, imposed because of the recent outbreak of hoof and mouth disease in that country, is partly responsible for the increase in cost of replacements.

Some further increases in costs are expected in 1953. Although the cost of concentrate feed is not expected to change materially, moderate increases are expected in wage rates, taxes, and in prices paid for machinery, supplies and fencing materials.

Net farm income on these farms is expected to be about 9 percent lower in 1952 than in 1951 (fig. 4). Returns to the operator and his family for labor and management will be lower and the purchasing power of these returns will be well below the 1945-49 average.

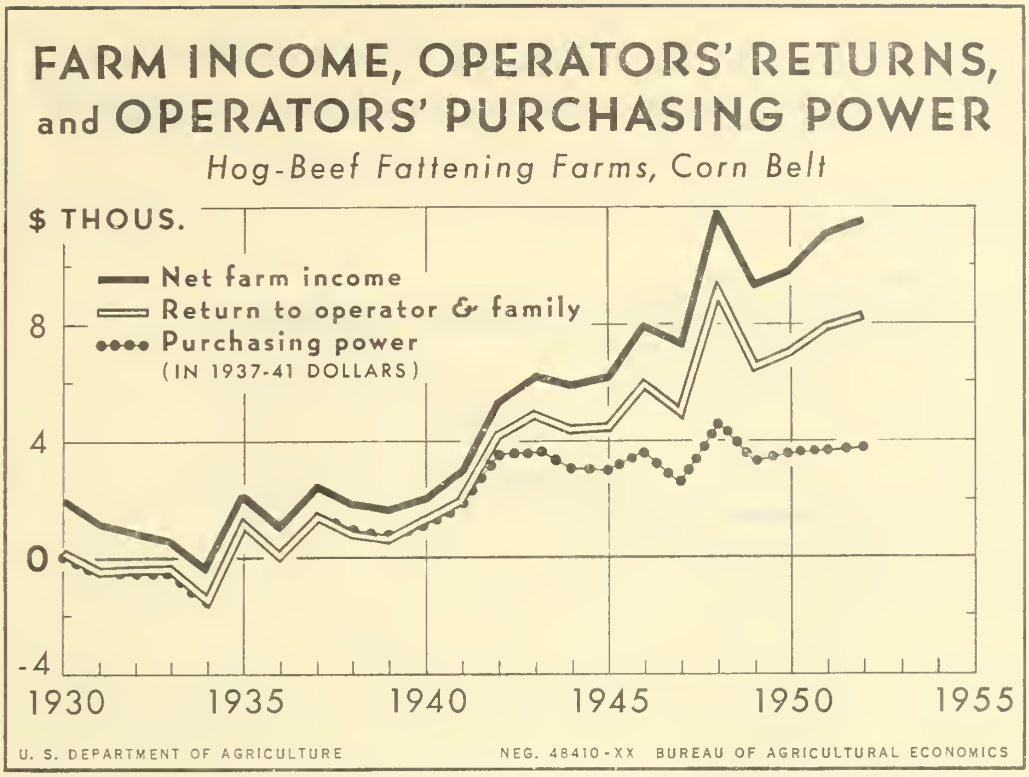

FIGURE 2

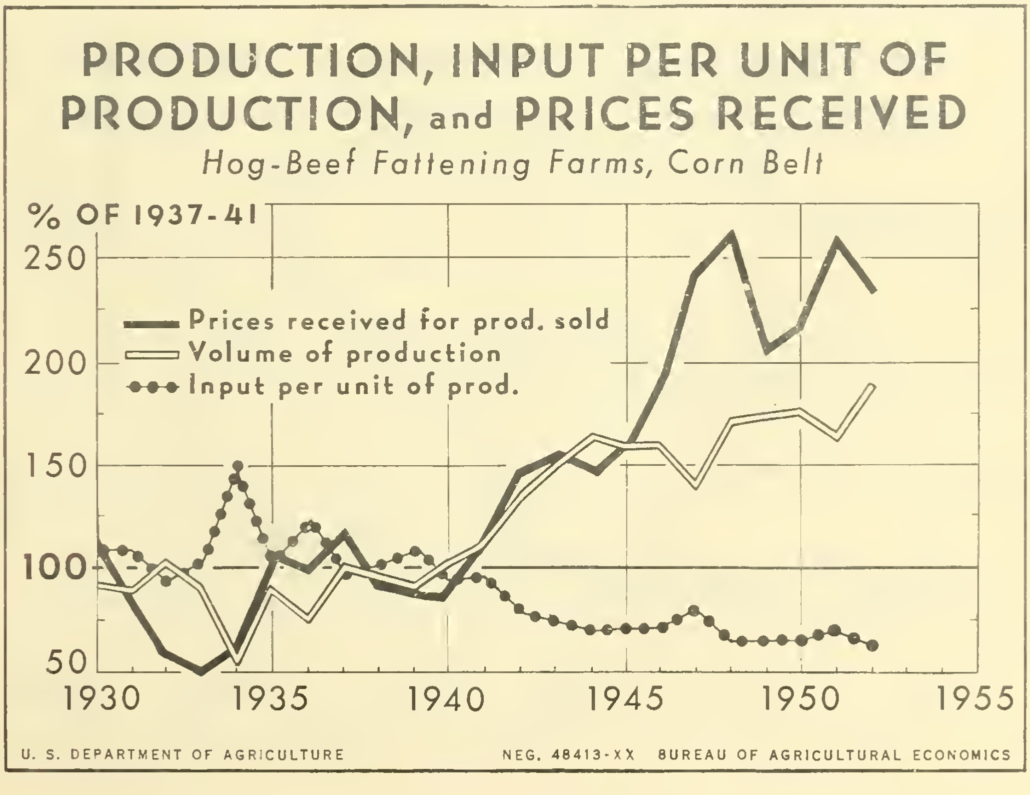

FIGURE 3

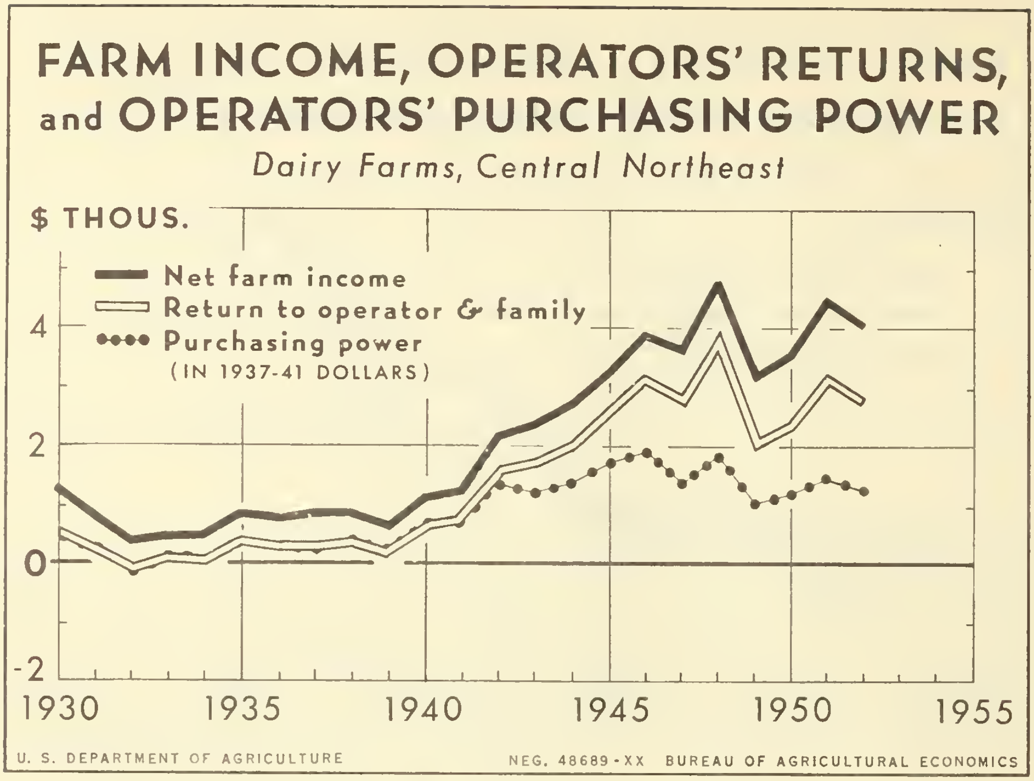

Figure 4

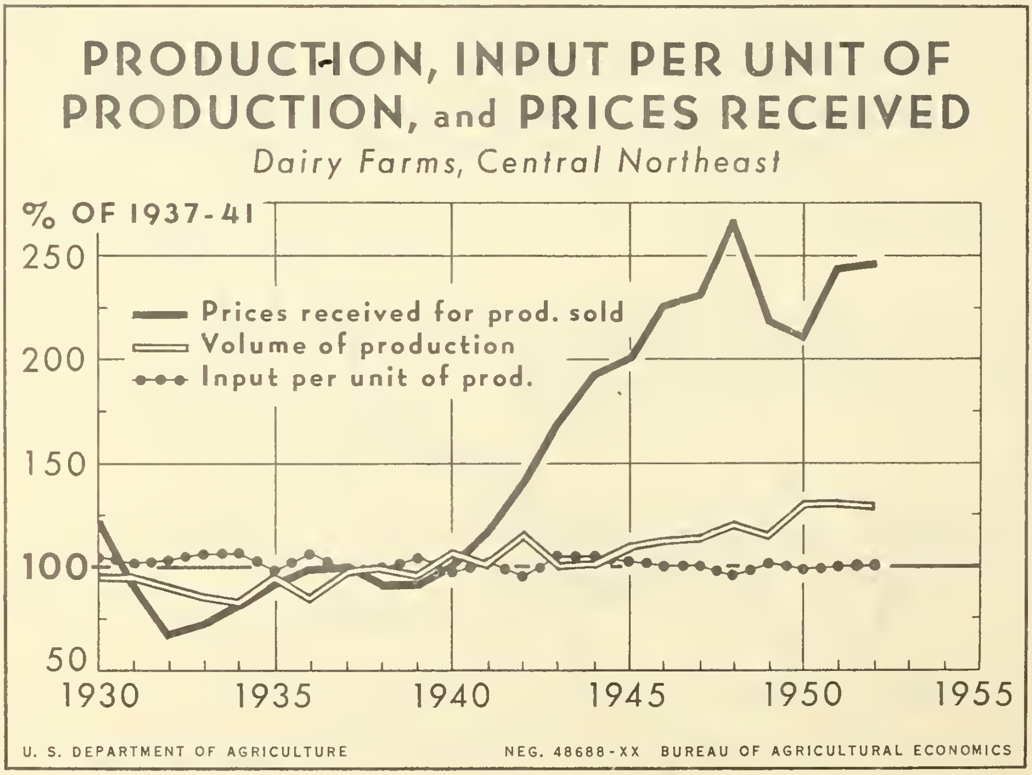

FIGURE 5

The decline in expected earnings is largely the result of higher costs. Volume of production is down slightly from 1951 mainly because of a smaller hay crop and input per unit of production is up slightly (fig. 5).

If cost rates and prices received in 1953 develop about as indicated in earlier sections of this report and average growing conditions prevail, net farm income on these farms in 1953 will be about 5 percent lower than in 1952.

Piedmont cotton farms - Southern Piedmont cotton farms are located in the Piedmont area of South Carolina and Georgia. These farms have 55 acres of cropland of which 15 acres are in cotton. About one-third of the cotton is raised by croppers. Mule power is used on nearly half the farms although mechanization is proceeding rapidly. Total investment amounted to $13,000 in 1951 and two-thirds of gross cash receipts came from cotton and cottonseed.

Total farm expenses on these farms in 1952 will be about 6 percent below 1951 even though wage rates of hired labor and prices paid for most items used in production have remained the same or increased. Lower farm expenditures result largely from smaller payments made in kind to the cropper and his family for their labor because of lower yields per acre and lower price of cotton and cottonseed. Expenses for picking cotton and ginning also are smaller. However, total cost per unit of production in 1952 probably will be 6 percent higher than in 1951. This increase is due mostly to lower yield per acre in 1952.

Net farm income and return to operators and their families for labor and management in 1952 will be nearly $700 below 1951, which was a record high year for cotton farms in this area (fig. 6).

In addition to lower yields of cotton lower prices received for products sold also contribute to the expected reduction in income in 1952 (fig. 7). During the first 9 months of 1952 cotton prices averaged about 5 percent below the 1951 calendar year average. Prices of cottonseed for the same period averaged about 23 percent below last year.

Assuming average yields in 1953, total cost per unit of production would be only slightly lower than in 1952 despite higher prices paid for many items used in production. However, unit costs are expected to be higher than in 1951 when cotton yields were very good. Assuming normal yields, higher cost rates, and current prices received, net farm income in 1953 would average about $1,500 compared with about $1,350 in 1952 and a little over $2,000 in 1951.

Winter wheat farms, Southern Plains - Returns to operators and families on winter wheat farms in central Kansas are expected to average about $8,400 per farm; or higher than any year in the last two decades, except 1947, partly because of exceptionally high yields and larger wheat acreages harvested in 1952 on these farms (fig. 8). For these same reasons production expenditures in 1952 probably will average about 8 percent above 1951. Higher prices for production goods and

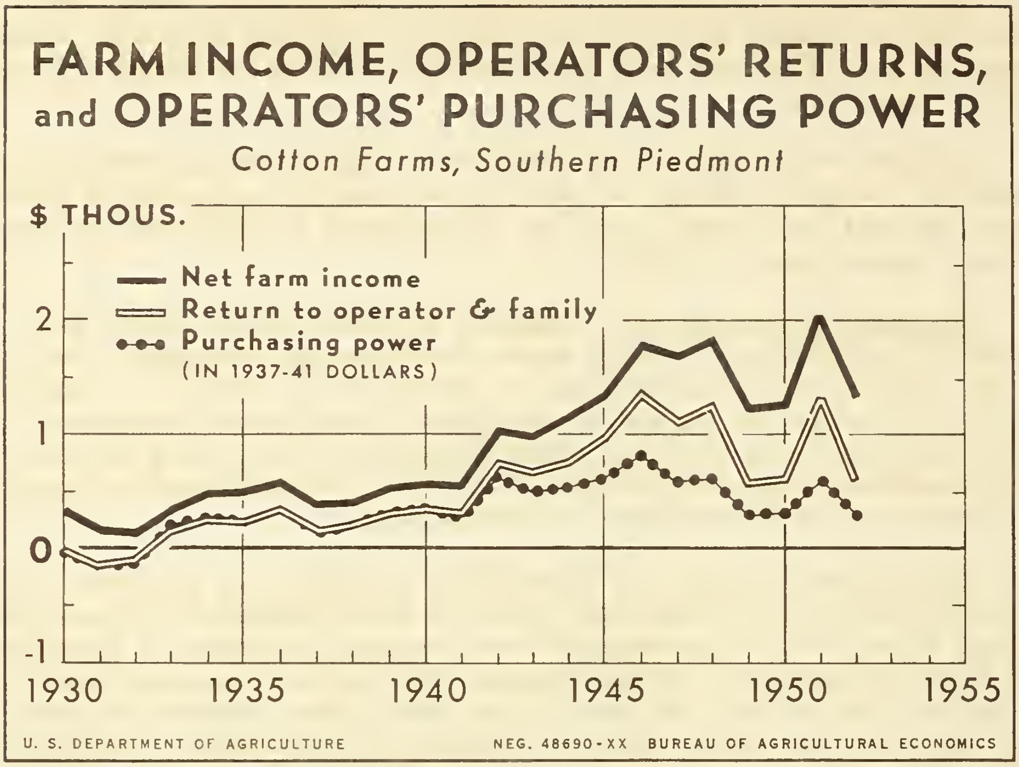

Figure 6

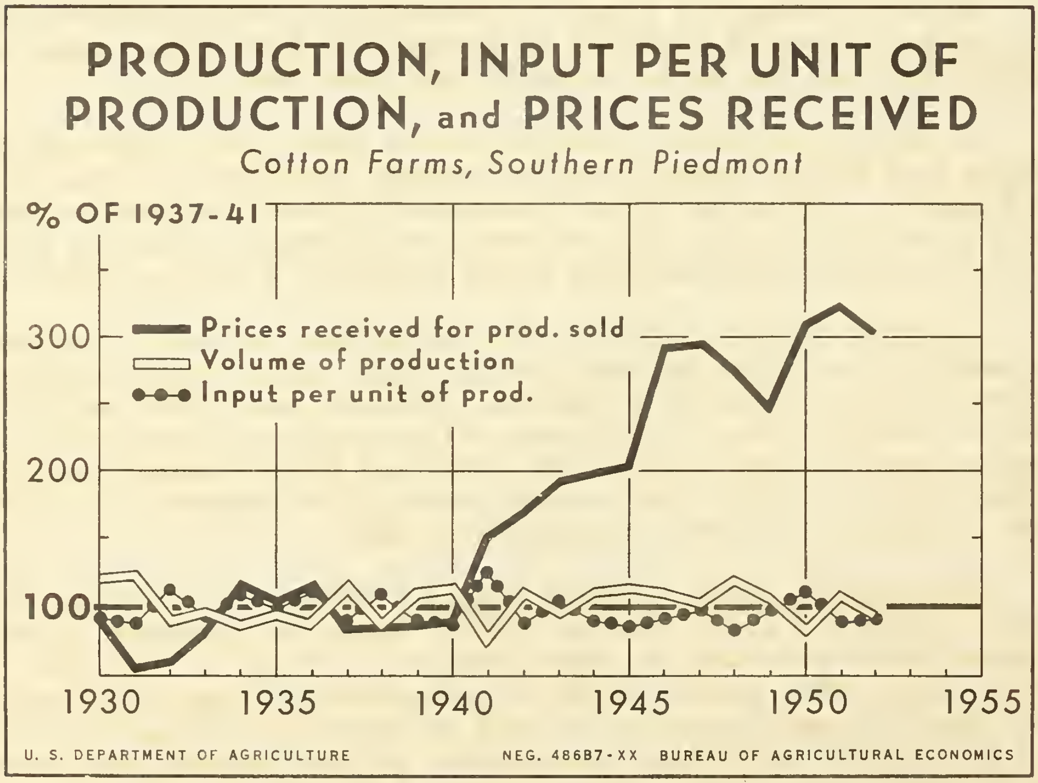

FIGURE 7

higher wage rates for labor account for most of this increase, although tractors and combines were used more and more labor was hired to harvest the large crop. Prices received in 1952 will average above those of 1951 primarily because of higher prices for grain sorghums. Prices received for most other crops and for livestock are expected to be about the same or below those of 1951.

These winter wheat farms average slightly over 600 acres of which about 330 acres were harvested for crops and an additional 135 acres were in summer fallow. About three-fourths of the income on these farms is from the sale of wheat and grain sorghum and nearly one-fourth from the sale of livestock and livestock products. Corn, oats, barley and hay are grown primarily for feed. These farms are highly mechanized. The operator and his family do all the work except for a few days of hired labor during wheat harvest in early summer, and during wheat planting and sorghum harvest in the fall. Total investment value in 1952 was about $60,000.

Costs in 1953 are expected to be only slightly above 1952. Prices paid for production items probably will average about 5 percent above 1952 (fig. 9), but if average yields are obtained, less labor will be hired and total tractor and machine operating costs will be less. However, if yields are at average levels and slightly lower prices are received, incomes will be down. Returns to operator and family for labor and management would then average about $4,700. With higher prices for items used in family living, the purchasing power of these returns would be the lowest since 1940.

Crop yields are highly variable in this area and acreage abandonment of wheat has varied greatly. Wheat yields on a harvested acreage basis, which show less variation than on a planted acreage basis, have varied from 6 to 22 bushels on these farms. Abandonment has varied from 2 to 67 percent. Over the 20-year period, 1930-49, wheat yields averaged 13.6 bushels per acre. Yields have been higher than average in 10 of the 20 years. Except for 1949, yields since 1940 have been above the long-time average.

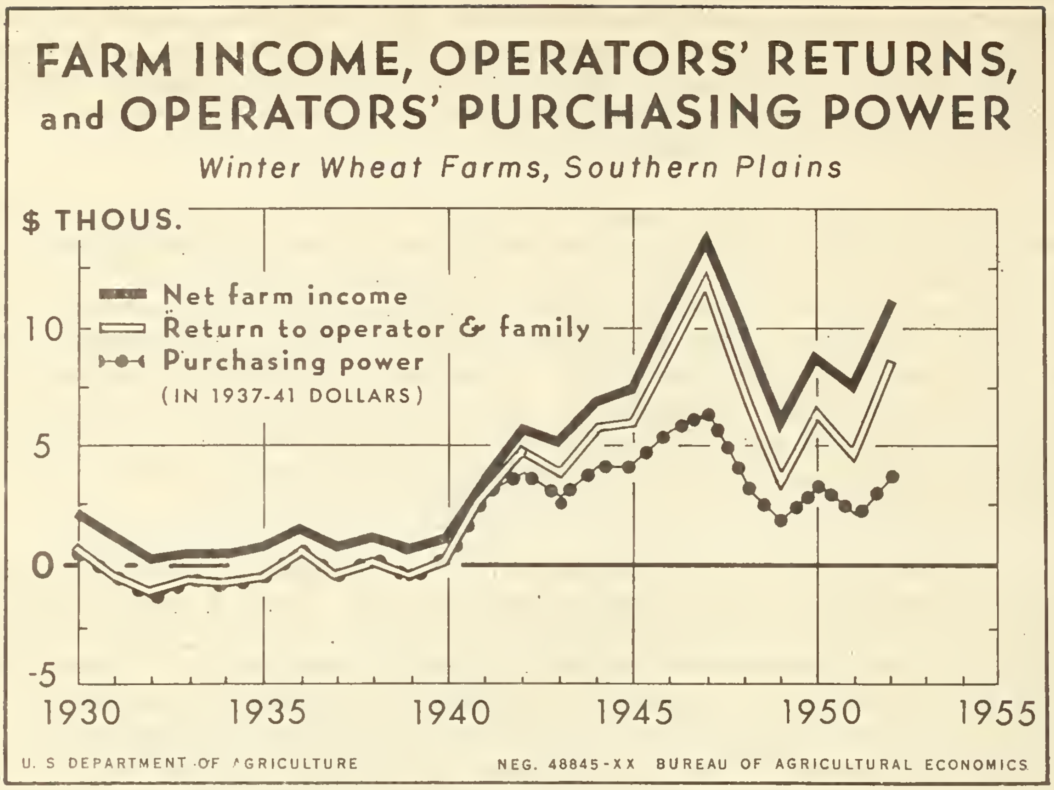

Figure 8

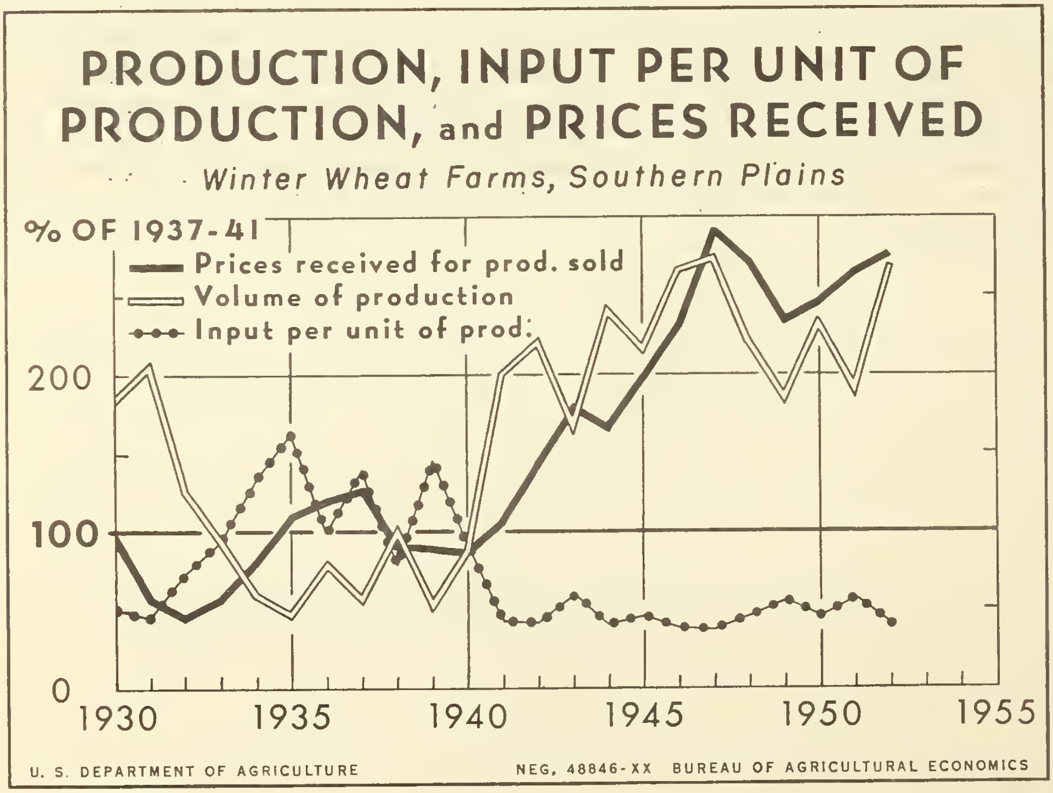

FIGURE 9

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